Moses Kotane Local Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2011

General Information

Speaker

Councillor	Diale Ralesole Abram

Mayor

Councillor	Mokati-Thebe Fetsang

Members of the Executive Committee

Councillors	Mokati-Thebe Fetsang (Chairperson)
	Tshetlhane Dithothi
	Nkotsoe Nketu
	Lesele Kabelo
	Manganye Thomas Raymond
	Modikela Dedrick
	Motshabi Caroline Nkeifeng
	Motshegoe Shimane Koos
	Setou Amos
	Tlabyane Dotty Rose

Members of the Council

Councillors	Ndlovu Hazel (Ward #1)
	Moyo Florah (Ward #2)
	Mkhandawiri L (Ward #3)
	Nhlapo Lindiwe (Ward #4)
	Tau Dipuo (Ward #5)
	Moloi Ntsebeng (Ward #6)
	Ntshabele Saltiel (Ward #7)
	Leoto Daniel (Ward #8)
	Motshegoa Pinky (Ward #9)
	Zitha Lerato (Ward #10)
	Matshereng Nono (Ward #11)
	Ramokoka Aaron (Ward #12)
	Motlhaga Ruth (Ward #13)
	Masilo Jafta (Ward #14)
	Letlape Abednico Tshwenyego (Ward #15)
	Pheto Rose (Ward #16)
	Manganye Bushy (Ward #17)
	Radiokana Mamikie (Ward #18)
	Mekgwe Joyce (Ward #19)
	Tshetlhane Dithothi (Ward #20)
	Vava Sipho (Ward #21)
	Khunou Mitah Khutsafalo (Ward #22)
	Nkotsoe Nketu (Ward #23)
	Magodielo Abish (Ward #24)
	Pele Julia (Ward #25)
	Sekao Hendrick (Ward #26)
	Makgothi Thompson (Ward #27)
	Lukhele Rose Mpula (Ward #28)
	Moeng Toto (Ward #29)
	Monnakgotla Chonko T (Ward #30)
	Monyatsi Mpho (Ward #31)

General Information

Members of the Council: Proportional Councillors	Mokgatlhe Martha Masefudi Diale Ralesole Abram Moraope Sina Lephoto Elizabeth Moruwa Ella Lesele Kabelo Motshabi Caroline Nkeifeng Manganye Thomas Raymond Motshegoe Shimane Koos Maretele Joy Motsoenyane Zippora Mashimo Ratselana Ezekiel Nondzaba Magdeline Mashishi Stephina Ntebatseng Rakatane Boikhutso Matlapeng Seipati Sarah Ramapotoka Goerge Matshaba Maria Zippora Rasepae III Maganelo Mngomezulu Phillip Sekhu Selina Keitumetse Moate Lucky Lucas Selotlego Dikeledi Joyce Moatshe George Daniel Setou Amos Modikela Dedrick Thusi Basimane Mokati-Thebe Fetsang Tlabyane Dotty Rose Deleki Nomawisile Tshite Lekuka Moruakgomo Joel
Grading of local authority	Grade 4
Acting Municipal Manager	Me. Matshidiso Jansen
Chief Finance Officer (CFO)	Mr. Johan T. Potgieter (A.I.T.C.)
Accounting Officers	
	Me. Matshidiso Jansen Mr. Johan T. Potgieter (A.I.T.C.)
Registered office	Civic Centre Mogwase 0314

General Information

Postal address

Private Bag X1011
Mogwase
0314

Contact information

Telephone: (014) 555 1300
Fax: (014) 555 6368
Email: municipalmanager@moseskotane.gov.za

Bankers

ABSA Bank Rustenburg

Auditors

Auditor General of South Africa

Certification by Acting Municipal Manager

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 6 to 73, in terms of Section 126(1) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) and which I have half of the Municipality.
I certify that the salaries, allowances and benefits of councilors as disclosed in notes 21 & 22 of these Annual Financial Statements are within the upper limits of the framework envisages in Section 219 of the constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, No 20 of 1998 and the Minister of Provincial and Local Government determination in accordance with this Act.

Acting Municipal Manager
KT GABANAKGOSI

25 November 2011

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Foreword by the Mayor

Foreword by the Mayor

Me. Matshidiso Jansen
Acting Municipal Manager

Mr. Johan T. Potgieter (A.I.T.C.)
Chief Finance Officer

Report of the Chief Financial Officer

Report of the Chief Financial Officer

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Report of the Chief Financial Officer

1.

Consolidated Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	5	51,002,248	43,434,498
Trade and other receivables from exchange transactions	6	8,458,648	4,355,068
Consumer debtors	7	52,310,128	55,900,770
Cash and cash equivalents	8	85,993,344	25,420,924
		197,764,368	**129,111,260**
Non-Current Assets			
Property, plant and equipment	3	703,807,660	743,807,160
Other financial assets	4	198,521	184,032
		704,006,181	**743,991,192**
Non-Current Assets		704,006,181	743,991,192
Current Assets		197,764,368	129,111,260
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**901,770,549**	**873,102,452**
Liabilities			
Current Liabilities			
Other financial liabilities	9	11,327,763	11,021,301
Trade and other payables from exchange transactions	12	29,451,908	42,924,371
VAT payable	13	7,305,637	8,761,143
Unspent conditional grants and receipts	10	75,436,442	20,465,595
Provisions	11	9,216,275	5,619,456
		132,738,025	**88,791,866**
Non-Current Liabilities			
Other financial liabilities	9	77,202,927	88,969,060
Provisions	11	300,000	-
		77,502,927	**88,969,060**
Non-Current Liabilities		77,502,927	88,969,060
Current Liabilities		132,738,025	88,791,866
Liabilities of disposal groups		-	-
Total Liabilities		**210,240,952**	**177,760,926**
Assets		901,770,549	873,102,452
Liabilities		(210,240,952)	(177,760,926)
Net Assets		**691,529,597**	**695,341,526**
Net Assets			
Reserves			
Government grant reserve		396,506,378	393,841,315
Accumulated surplus		295,023,219	301,500,211
Total Net Assets		**691,529,597**	**695,341,526**

Consolidated Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Sale of goods		-	199,397
Property rates	15	28,478,669	27,984,724
Service charges	16	46,895,482	44,060,993
Sales of housing		162,809	73,514
Rental of facilities and equipment		-	30,996
Traffic fines		-	2,731,936
Government grants and subsidies	17	217,421,387	218,128,842
Commissions received		59,509	-
Recoupment		2,000	-
Other income	18	1,575,710	3,285,256
Interest received - investment	23	10,476,819	169,861
Total Revenue		**305,072,385**	**296,665,519**
Expenditure			
Employee related costs	21	(81,160,150)	(74,534,289)
Remuneration of councillors	22	(13,339,285)	(13,553,307)
Depreciation and amortisation		(73,827,646)	(68,905,751)
Finance costs	24	(10,207,201)	(9,978,419)
Debt impairment		(20,632,033)	(4,596,133)
Contribution to funds		(7,951,225)	(18,441)
Repairs and maintenance		(12,283,851)	(18,104,579)
Bulk purchases	26	(31,733,454)	(28,638,007)
Contracted services	25	(12,998,447)	(14,919,222)
Contribution to capital expenditure		(844,873)	(2,009,719)
General expenses	19	(54,713,429)	(53,290,256)
Total Expenditure		**(319,691,594)**	**(288,548,123)**
Gain on disposal of assets and liabilities		-	20,027
Revenue		305,072,385	296,665,519
Expenditure		(319,691,594)	(288,548,123)
Other		-	20,027
(Deficit) surplus for the year		**(14,619,209)**	**8,137,423**

Consolidated Statement of Changes in Net Assets

Figures in Rand	Government grant reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	379,537,787	67,191,204	446,728,991
Adjustments			
Implementation of GRAP 17 / Prior period error (note 29)	-	246,478,998	246,478,998
Balance at 01 July 2009 as restated	**379,537,787**	**313,670,202**	**693,207,989**
Changes in net assets			
Correction of error	(3,783,550)	(2,220,335)	(6,003,885)
Net income (losses) recognised directly in net assets	(3,783,550)	(2,220,335)	(6,003,885)
Surplus for the year	-	8,137,423	8,137,423
Total recognised income and expenses for the year	(3,783,550)	5,917,088	2,133,538
Capital grants used to purchase Property, Plant & Equipment	64,732,029	(64,732,029)	-
Offsetting of depreciation	(46,644,950)	46,644,950	-
Total changes	14,303,529	(12,169,991)	2,133,538
Opening balance as previously reported	393,841,316	301,500,208	695,341,524
Adjustments			
Correction of error	-	10,807,282	10,807,282
Balance at 01 July 2010 as restated	**393,841,316**	**312,307,490**	**706,148,806**
Changes in net assets			
Surplus for the year	-	(14,619,209)	(14,619,209)
Capital grants used to purchase Property, Plant & Equipment	33,645,298	(33,645,298)	-
Offsetting of depreciation	(30,980,236)	30,980,236	-
Total changes	2,665,062	(17,284,271)	(14,619,209)
Balance at 30 June 2011	**396,506,378**	**295,023,219**	**691,529,597**

Consolidated Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Grants, rates and other		273,448,594	300,620,197
Interest income		10,476,819	169,861
Other receipts		2,000	-
		283,927,413	300,790,058
Payments			
Suppliers and employee costs		(178,652,770)	(208,219,159)
Finance costs		(10,207,201)	(9,978,419)
		(188,859,971)	(218,197,578)
Total receipts		283,927,413	300,790,058
Total payments		(188,859,971)	(218,197,578)
Net cash flows from operating activities	27	**95,067,442**	**82,592,480**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(41,012,388)	(89,455,697)
Proceeds from sale of property, plant and equipment	3	-	20,029
Increase in financial assets		(14,489)	(21,231)
Change in estimate of building, correction prior period depreciation out of appropriations		7,184,245	-
Net cash flows from investing activities		**(33,842,632)**	**(89,456,899)**
Cash flows from financing activities			
Proceeds from other financial liabilities		-	26,507,991
Repayment of other financial liabilities		(11,459,671)	-
Correction of error		10,807,282	(2,227,856)
Net cash flows from financing activities		**(652,389)**	**24,280,135**
Net (decrease)/increase in cash and cash equivalents		**60,572,421**	**17,415,716**
Cash and cash equivalents at the beginning of the year		25,420,924	8,005,211
Cash and cash equivalents at the end of the year	8	**85,993,345**	**25,420,927**

Accounting Policies

1. Presentation of annual financial statements

The consolidated annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

Trade receivables / Trade and other receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying values of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors. Management used fair value less cost to sell to determine the recoverable (service) amount of tangible assets with an indefinite useful life.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Effective interest rate

The municipality used the **prime interest rate** rate to discount future cash flows.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provision for impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The provision for impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired non-monetary asset's fair value is not determinable, it's deemed cost is the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or to replace a part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values. Depreciation commenses when property, plant and equipment are ready for their intended use.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Accounting Policies

1.2 Property, plant and equipment (continued)

Item	Average useful life
Land	Infinite
Buildings	30 years
Infrastructure assets	15 - 60 years
Community assets	30 years
Heritage assets	Indefinite
Other items of PPE	2 - 10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment held under finance lease are depreciated over their expected useful lives on the same basis as owned items of property, plant and equipment or, where shorter, the term of the relevant lease.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference in recognised in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

Accounting Policies

1.3 Financial instruments (continued)

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement

The municipality measures a financial asset and financial liability initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.3 Financial instruments (continued)

Subsequent measurement

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments designated as at fair value through surplus or deficit.
- Financial instruments held for trading.
- Financial instruments available for sale.
- Financial instruments held to maturity.
- Financial instruments as loans and receivables.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, and reference to the current fair value of another instrument that is substantially the same. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. The instrument is then reclassified from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

Accounting Policies

1.3 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced **directly OR through the use of an allowance account**. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed **directly OR by adjusting the allowance account**. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Accounting Policies

1.3 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rent is recognised separately as an expense when paid or payable and are not straight-lined over the lease term.

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Accounting Policies

1.5 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

Recognition and measurement (cash-generating unit)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.7 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

1.7 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.7 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Accounting Policies

1.9 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35 - Disclosures in terms of Sec. 125 of the Municipal Finance Management Act, 2003.

1.10 Revenue from exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.10 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Service revenue relating to water are recognised based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service revenue relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emtied during the month.

Service revenue relating to sewerage and sanitation are based on the number of sewerage connections on each developed property using tariffs approved from Council and are levied monthly.

Service revenue from the application of the approved tariff of charge is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Revenue from public contributions are recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fines constitute spot fines and summonses and are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the collecting entity.

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Gifts and donations, including goods and services in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind are not recognised.

Recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.12 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the conditions embodied in the agreement. To the extent that the conditions have not been met a liability is recognised.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred in contravention of, or that is not in accordance with:
- a requirement of the MFMA (Act No. 56 of 2003), and which has not been condoned in terms of section 170; or
- a requirement of the Municipal System Act (Act No.32 of 2000), and which has not been condoned in terms of this Act; or
- a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

Accounting Policies

1.17 Irregular expenditure (continued)

- a requirement of the supply chain management policy of the municipality or any of the municipality's by-law giving effect to such policy, and which has been condoned in terms of such policy or by-law.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, the note to the financial statements must be updated to reflect this.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Budget information

A reconciliation between the statement of financial performance and the budget has been included in the consolidated annual financial statements, as the recommended disclosure as determined by National Treasury, as the consolidated annual financial statements and the budget are not on the same basis of accounting. Refer to Appendix E.

1.20 Presentation of currency

These consolidated annual financial statements are presented in South African Rand.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the **national/provincial/local** sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Accounting Policies

1.22 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Government Grant Reserve

When items of property, plant & equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant & equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of goverment grant funded items of property, plant & equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant & equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferredto the accumulated surplus/(deficit).

Figures in Rand	2011	2010

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2011 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's consolidated annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

An entity should present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

Where an entity prepares its budget and consolidated annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary consolidated annual financial statements. Where the budget and consolidated annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the consolidated annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and consolidated annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's consolidated annual financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 consolidated annual financial statements.

The impact of this standard is currently being assessed.

GRAP 21: Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's consolidated annual financial statements.

GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's consolidated annual financial statements.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's consolidated annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its consolidated annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in less disclosure than is currently provided in the consolidated annual financial statements.

IGRAPs

The following intepretations to GRAP have been issued:

- iGRAP 2-10 and 13-15.

The effective date of the interpretations is for years beginning on or after 01 April 2011.

The municipality expects to adopt the interpretations for the first time in the 2012 consolidated annual financial statements.

It is unlikely that the interpretations will have a material impact on the municipality's consolidated annual financial statements.

GRAP 105: Transfer of Functions Between Entities Under Common Control

Establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 106: Transfer of Functions Between Entities Not Under Common Control

Establishes accounting principles for the acquirer in a transfer of functions between entities not under common control.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 107: Mergers

Establishes accounting principles for the combined entity and combining entities in a merger. The standard will be applied to a transaction or event where no acquirer can be identified.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 20: Related Party Disclosures

The objective of the standard is to ensure that an entity’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's consolidated annual financial statements.

Improvements to the Standards of GRAP

Improvements to the following standards of GRAP were made as part of the ASB's improvement project:

- GRAP 1-4, 9-14, 16-17, 19 and 100.

The effective date of the amendments is for years beginning on or after 01 April 2011.

The municipality expects to adopt the amendments for the first time in the 2012 consolidated annual financial statements.

It is unlikely that the amendments will have a material impact on the municipality's consolidated annual financial statements.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	58,692,013	(10,164,929)	48,527,084	61,736,434	(8,772,209)	52,964,225
Infrastructure assets	1,109,906,408	(515,453,830)	594,452,578	1,078,762,575	(450,013,538)	628,749,037
Community assets	57,389,401	(8,693,762)	48,695,639	51,418,246	(6,787,392)	44,630,854
Other property, plant and equipment	45,138,304	(33,019,945)	12,118,359	43,900,491	(26,451,447)	17,449,044
Heritage	14,000	-	14,000	14,000	-	14,000
Total	**1,271,140,126**	**(567,332,466)**	**703,807,660**	**1,235,831,746**	**(492,024,586)**	**743,807,160**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Change in estimate	Depreciation	Total
Land and buildings	52,964,225	2,659,588	(5,704,009)	(1,392,720)	48,527,084
Infrastructure assets	628,749,037	31,143,832	-	(65,440,291)	594,452,578
Community assets	44,630,854	5,971,154	-	(1,906,369)	48,695,639
Other property, plant and equipment	17,449,044	1,237,814	-	(6,568,499)	12,118,359
Heritage	14,000	-	-	-	14,000
	743,807,160	**41,012,388**	**(5,704,009)**	**(75,307,879)**	**703,807,660**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Correction of error	Depreciation	Prior period error	Implementation of GRAP 17	Total
Land and buildings	59,635,934	4,750,431	-	(3,783,550)	(1,176,910)	(6,461,680)	-	52,964,225
Infrastructure assets	356,618,306	76,672,243	-	-	(56,550,411)	133,449,549	118,559,350	628,749,037
Community assets	42,793,630	6,424,814	-	-	(5,519,368)	5,522,004	(4,590,226)	44,630,854

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Other property, plant and equipment	21,492,381	1,608,209	(2)	-	(5,651,544)	-	-	17,449,044
Heritage	14,000	-	-	-	-	-	-	14,000
	480,554,251	**89,455,697**	**(2)**	**(3,783,550)**	**(68,898,233)**	**132,509,873**	**113,969,124**	**743,807,160**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Other financial assets

Loans and receivables		
ABSA Fixed Deposit	198,521	184,032
An amount of R198,521 of the investment is ceded to Escom serving as a electricity deposit for the Civic Centre.		
	198,521	184,032
	-	-
	-	-
	-	-
	-	-
Non-current assets		
Loans and receivables	198,521	184,032
Non-current assets	198,521	184,032
Current assets	-	-

5. Inventories

Maintenance materials	3,103,588	2,419,460
Water	50,660	34,542
Unsold properties held for resale	47,848,000	40,980,496
	51,002,248	**43,434,498**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2011	2010

6. Trade and other receivables from exchange transactions

Sundry debtors	468,467	257,215
Suspense debtors	7,514,929	3,735,997
Sale of stands Unit 5	361,856	361,856
Sale of stands	113,396	-
	8,458,648	**4,355,068**

Figures in Rand	2011	2010
7. Consumer debtors		
Gross balances		
Rates, Refuse, Sewerage and Water	112,655,114	95,641,853
Less: Provision for debt impairment		
Water	(60,344,986)	(39,741,083)
Net balance		
Rates, Refuse, Sewerage and Water	52,310,128	55,900,770
Rates, Refuse, Sewerage and Water		
Current (0 -30 days)	10,956,000	6,307,593
31 - 60 days	5,644,941	2,788,343
61 - 90 days	4,494,963	2,554,933
91 - 120 days	91,559,210	83,990,984
Less: Provision for debt impairment	(60,344,986)	(39,741,083)
	52,310,128	**55,900,770**
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	5,986,579	2,090,736
31 - 60 days	3,862,314	1,385,640
61 - 90 days	2,941,067	1,092,120
91 - 120 days	51,324,721	42,542,935
	64,114,681	47,111,431
Less: Provision for debt impairment	(60,344,986)	(39,741,083)
	3,769,695	**7,370,348**
Industrial/ commercial		
Current (0 -30 days)	4,653,639	3,603,584
31 - 60 days	1,584,259	979,795
61 - 90 days	1,352,393	955,690
91 - 120 days	31,755,776	27,816,289
	39,346,067	**33,355,358**
National and provincial government		
Current (0 -30 days)	315,782	613,273
31 - 60 days	198,368	422,908
61 - 90 days	201,503	507,123
91 - 120 days	8,478,713	13,631,760
	9,194,366	**15,175,064**
Total		
Current (0 -30 days)	10,956,000	6,936,797
31 - 60 days	5,644,941	3,138,542
61 - 90 days	4,494,963	2,984,055
91 - 120 days	91,559,210	82,582,459
	112,655,114	95,641,853
Less: Provision for debt impairment	(60,344,986)	(39,741,083)
	52,310,128	**55,900,770**
Less: Provision for debt impairment		
91 - 120 days	(60,344,986)	(39,741,083)

Figures in Rand	2011	2010

7. Consumer debtors (continued)

Reconciliation of debt impairment provision		
Balance at beginning of the year	(39,741,083)	(35,144,950)
Contributions to provision	(20,603,903)	(4,596,133)
	(60,344,986)	**(39,741,083)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,202	5,202
Bank balances	8,756,920	17,693,798
Short-term deposits	77,231,222	7,721,924
	85,993,344	**25,420,924**

Details of short-term deposits:		
ABSA Call Account	5,851,105	1,649,803
ABSA Call Account MIG	67,458,797	176,113
ABSA Call Account Extension of the Civic Centre	3,288,538	5,289,384
ABSA Call Account Water and Sanitation Project	624,716	598,446
ABSA Call Account Housing Project	8,066	8,178

Details of total facilities and the date of review thereof:

Term Loan	R230,000	15 October 2011
LDP	R108,000	15 October 2011
M/Loans	R1,427,000	15 October 2011
AVAF	R5,452,000	15 October 2011
Term Loan	R12,000	15 October 2011
Fleet Card	R20,000	15 October 2011

Local Guarantees:

Eskom Holdings Limited	R107,700

Securities held:
A special Notorial Bond on Movable Equipment
Unlimited Cession of Income Streams
Cession of ABSA Investment Acc (Acc No: 20-6225-0801) for R198,520
1st CCMB for R1,520,000 over Erf 739, Mogwase Unit 2, Rustenburg.

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2011	**30 June 2010**	**30 June 2009**	**30 June 2011**	**30 June 2010**	**30 June 2009**
ABSA BANK Rustenburg - Current Account - 405-041-4471	4,345,267	13,246,235	3,340,224	8,337,733	17,213,899	4,174,959
ABSA BANK Rustenburg- Housing Account - 405-921-9109	130,366	439,782	91,562	130,366	439,782	91,562
ABSA BANK Rustenburg - Traffic Account - 407-011-8019	281,992	33,090	999,470	281,992	33,090	999,470
ABSA BANK Rustenburg MKDA Account 40-6594-4172	6,830	7,027	3,871	6,830	7,027	3,871
Total	**4,764,455**	**13,726,134**	**4,435,127**	**8,756,921**	**17,693,798**	**5,269,862**

Figures in Rand	2011	2010

9. Other financial liabilities

Held at amortised cost		
Annuity loans	88,530,690	99,990,361
	-	-
	88,530,690	99,990,361
Non-current liabilities		
At amortised cost	77,202,927	88,969,060
Current liabilities		
At amortised cost	11,327,763	11,021,301
	77,202,927	88,969,060
	11,327,763	11,021,301
	88,530,690	**99,990,361**

Refer to Appendix A for more detail on other financial liabilities.

10. Unspent conditional grants and receipts

Conditional grants from other spheres of government.

Unspent conditional grants and receipts comprises of:

MIG grant	71,599,955	19,629,108
Drought relief	439,487	439,487
Extended public works programme	397,000	397,000
Provincial infrastructure grant	3,000,000	-
	75,436,442	**20,465,595**

See note 17 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2011	2010

11. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Reclamation of refuse landfill site	-	300,000	-	300,000
Accumulated leave of employees of the council	5,619,456	7,651,225	(4,054,406)	9,216,275
	5,619,456	**7,951,225**	**(4,054,406)**	**9,516,275**

Reconciliation of provisions - 2010

	Opening Balance	Transfer from trade payables	Utilised during the year	Total
Accumulated leave of employees of the council	-	5,989,536	(370,080)	5,619,456

Non-current liabilities	300,000	-
Current liabilities	9,216,275	5,619,456
	9,516,275	**5,619,456**

Performance bonusses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists. No performance bonusses were paid during the 2009/2010 financial year.

12. Trade and other payables from exchange transactions

Trade payables	14,406,748	19,213,820
Payments received in advance	3,358,073	128,634
Suspense creditors	10,000,295	21,335,312
Housing	1,686,792	2,246,605
	29,451,908	**42,924,371**

13. VAT payable

VAT payables	7,305,637	8,761,143

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

Figures in Rand	2011	2010
14. Revenue		
Sale of goods	-	199,397
Property rates	28,478,669	27,984,724
Service charges	46,895,482	44,060,993
Sales of stands	162,809	73,514
Rental of facilities & equipment	-	30,996
Traffic fines	-	2,731,936
Government grants & subsidies	217,421,387	218,128,842
	292,958,347	**293,210,402**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	-	199,397
Service charges	46,895,482	44,060,993
Sales of housing	162,809	73,514
Rental of facilities & equipment	-	30,996
	47,058,291	**44,364,900**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	28,478,669	27,984,724
Traffic fines	-	2,731,936
Transfer revenue		
Government grants & subsidies	217,421,387	218,128,842
	245,900,056	**248,845,502**
15. Property rates		
Rates received		
Residential	889,152	737,495
Commercial	2,676,189	2,536,351
State	4,856,512	4,580,709
Holiday Resorts	18,690,616	18,841,189
Mining	1,366,200	1,288,980
	28,478,669	**27,984,724**
Valuations		
Residential	308,945,966	632,001,894
Commercial	354,938,000	66,886,403
State	565,907,784	746,688,000
Municipal	154,771,000	130,142,000
Farms and tribal land	351,465,000	525,212,500
Industrial	-	171,364,000
Churches	2,171,000	9,390,000
Mining	198,000,000	18,020,000
Sun City and other holiday resorts	424,187,000	657,400,000
Escom servitudes	15,405,000	15,400,000
	2,375,790,750	**2,972,504,797**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2011	2010

16. Service charges

Sale of water	45,062,869	42,995,818
Sewerage and sanitation charges	1,101,129	386,818
Refuse removal	731,484	678,357
	46,895,482	**44,060,993**

Figures in Rand	2011	2010

17. Government grants and subsidies

Equitable share	179,213,533	145,147,177
Municipal Systems Improvement Grant	1,200,000	1,300,000
Finance Management Grant	1,000,000	750,000
DWAF Operating and Maintenance Grant	2,723,000	4,798,250
MIG Grant	32,884,854	64,732,029
Project Management Unit	-	1,401,386
Mogwase Libraries Grant	400,000	-
	217,421,387	**218,128,842**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy equal to their monthly account with a maximum water consumption of 6 kilolitres, which is funded from the grant. All household consumers are receiving a monthly water consumption of 6 kilolitres.

MIG Grant

Balance unspent at beginning of year	19,629,108	13,139,522
Current-year receipts	84,855,000	72,623,000
Conditions met - transferred to revenue	(32,884,854)	(66,133,414)
Incorrect system posting - To be corrected in subsequent year	701	-
	71,599,955	**19,629,108**

Conditions still to be met - remain liabilities (see note 10).

Drought Relief

Balance unspent at beginning of year	439,487	439,487

Conditions still to be met - remain liabilities (see note 10).

Extended Public Works Program

Balance unspent at beginning of year	397,000	-
Current-year receipts	-	397,000
	397,000	**397,000**

Conditions still to be met - remain liabilities (see note 10).

Municipal Systems Improvement Grant

Current-year receipts	1,200,000	1,300,000
Conditions met - transferred to revenue	(1,200,000)	(1,300,000)
	-	**-**

Finance Management Grant

Current-year receipts	1,000,000	750,000
Conditions met - transferred to revenue	(1,000,000)	(750,000)
	-	**-**

DWAF Refurbishment Grant

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2011	2010
17. Government grants and subsidies (continued)		
Balance unspent at beginning of year	-	910,893
Conditions met - transferred to revenue	-	(910,893)
	-	**-**
DWAF Operating and Maintenance Grant		
Current-year receipts	2,723,000	4,798,250
Conditions met - transferred to revenue	(2,723,000)	(4,798,250)
	-	**-**
Mogwase Libraries Grant		
Current-year receipts	400,000	-
Conditions met - transferred to revenue	(400,000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 10).

Provincial Infrastructure Grant		
Current-year receipts	3,000,000	-

Conditions still to be met - remain liabilities (see note 10).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2011), the equitable share will increase by 11.3% in the 2011/2012 financial year and the MIG allocation will be increased by 22% in the 2012/2013 financial year.

18. Other income		
Water connections	469,608	645,560
Advertising	50,489	440,129
Cemetery fees	7,226	9,055
Property transfer fees	3,280	4,075
Building inspection plan fees	79,415	59,271
Tender document sales	182,463	249,904
Blocked drains	1,871	2,432
Clearance certificates	5,559	2,851
Interest received Current account	378,486	879,209
Photo copies	7,535	-
Other	174,339	346,460
Refuse dump charges	-	324,000
Refund LGSETA	215,439	322,310
	1,575,710	**3,285,256**
19. General expenses		
General Expenses	54,713,429	53,244,581
Manufacturing - Raw materials consumed	-	45,675
	54,713,429	**53,290,256**

Included in above General Expenses are rental leases for office equipment from Gestetner and Bakwena Systems Integrators (Pty) Ltd of R639,865 (2010: R1,158,959). The municipality does not have the option to take over ownership of the equipment when the lease period expires, neither does the agreement substantially transfer the risks and rewards of ownership.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2011	2010

20. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Gain on sale of property, plant and equipment	-	20,027
Depreciation on property, plant and equipment	73,827,646	68,905,751
Employee costs	94,499,435	88,087,596

21. Employee related costs

Employee related costs - salaries and wages	59,967,660	57,545,002
Employee related costs - contribution for UIF and medical aids	4,112,911	3,806,897
Post-employment benefits - Pension - Defined contribution plan	11,184,568	8,964,398
Travel, motor car, accommodation, subsistence and other allowances	2,022,070	1,006,504
Overtime payments	3,599,572	2,816,205
Housing benefits and allowances	273,369	395,283
	81,160,150	**74,534,289**

Remuneration of municipal manager

Annual remuneration	707,245	676,301
Car allowance	108,000	108,000
Contributions to UIF, Medical and Pension Funds	161,625	150,329
	976,870	**934,630**

Remuneration of chief finance officer

Annual remuneration	816,902	774,877
Car allowance	64,200	64,200
Contributions to UIF, Medical and Pension Funds	1,547	1,542
	882,649	**840,619**

Remuneration of executive directors

Annual remuneration	2,303,800	3,327,200
Car allowance	312,000	521,047
Contributions to UIF, Medical and Pension Funds	508,452	716,543
	3,124,252	**4,564,790**

22. Remuneration of councillors

Major's allowance	346,510	346,936
Chief Whip's allowance	424,648	256,444
Executive Committee Member's allowance	2,369,331	2,035,974
Speaker's allowance	114,393	243,451
Councillors' allowance	5,032,890	5,052,462
Travelling allowance	3,339,721	3,288,393
Telephone allowance	702,988	700,164
Pension Fund contributions	759,852	1,156,475
Medical Aid contributions	248,952	473,008
	13,339,285	**13,553,307**

Figures in Rand	2011	2010
23. Investment revenue		
Interest revenue		
Bank	3,869,005	169,861
Interest charged on trade and other receivables	6,607,814	-
	10,476,819	**169,861**
	-	-
	10,476,819	169,861
24. Finance costs		
Non-current borrowings	10,207,201	9,978,419
25. Contracted services		
Refuse removals	12,998,447	14,919,222
26. Bulk purchases		
Water	31,733,454	28,638,007
27. Cash generated from operations		
(Deficit) surplus	(14,619,209)	8,137,423
Adjustments for:		
Depreciation and amortisation	73,827,646	68,905,751
Loss on sale of assets and liabilities	-	(20,027)
Debt impairment	20,632,033	4,596,133
Movements in provisions	3,896,819	5,619,456
Changes in working capital:		
Inventories	(7,567,750)	2,246,851
Trade and other receivables from exchange transactions	(4,103,580)	19,061,079
Consumer debtors	(17,041,391)	(19,552,695)
Trade and other payables from exchange transactions	(13,472,467)	(12,640,834)
VAT	(1,455,506)	263,650
Unspent conditional grants and receipts	54,970,847	5,975,693
	95,067,442	**82,592,480**
28. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	-	18,114,054
• Community	5,000,000	3,236,204
	5,000,000	**21,350,258**
Not yet contracted for and authorised by accounting officers		
• Land and Buildings	9,200,000	12,100,000
• Infrastructure	104,600,000	72,984,216
• Community	23,270,000	7,300,000
• Other	2,550,000	1,900,000
	139,620,000	**94,284,216**

Figures in Rand	2011	2010

29. Prior period errors

During the financial year the municipality implemented GRAP 17 by way of restating its fixed asset register through recording previously unrecognised items of property, plant and equipment at current replacement costs adjusted for inflation and recording backlog accumulated depreciation, as it did not choose to elect the transitional provision of Directive 4 in the previous financial year to record previously unrecognised assets at provisional amounts. During the process of restating the asset register assets were identified which were not initially recorded in its individual components and were therefore depreciated over inappropriate useful lives, this constitutes a prior period error.

Unauthorised expenditure to the amount of R990,974 was not disclosed in the prior year. This expenditure was due to an overspending of the budget during the prior year.

The implementation of GRAP 17 and correction of the prior period error results in adjustments as follows:

Statement of financial position		
Property, plant and equipment	-	235,733,042
Opening Accumulated Surplus or Deficit	(235,733,042)	(246,478,998)
Statement of Financial Performance		
Depreciation expense	-	10,745,955

30. Comparative figures

Certain comparative figures may have been reclassified.

31. Going concern

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

32. Unauthorised expenditure

Unauthorised expenditure	3,870,204	990,974

Particulars of the unauthorised expenditure for 2011 is due to an overspending on the vote due to a journal adjustment on the provision for accumulated leave.

33. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	6,887,196	6,692,646

Figures in Rand	2011	2010

34. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	545,637	491,855
Amount paid - current year	(545,637)	(491,855)
	-	-

Audit fees

Current year subscription / fee	1,734,456	1,900,421
Amount paid - current year	(1,734,456)	(1,900,421)
	-	-

PAYE and UIF

Current year subscription / fee	10,988,749	11,516,128
Amount paid - current year	(10,988,749)	(11,516,128)
	-	-

Pension and Medical Aid Deductions

Amount paid - current year	18,141,174	18,409,521

VAT

VAT payable	7,305,637	8,761,143

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor LP Molelekeng	2,002	12,466	14,468
Councillor LTD Ntsamai	(90)	258	168
Councillor M Nondzaba	182	3,617	3,799
Councillor J Mookaneng	(1,504)	3,874	2,370
Councillor MP Moloi	863	18,163	19,026
Councillor LMJ Tshite	584	1,690	2,274
Councillor GE Ramorwesi	887	6,975	7,862
Councillor AB Setou	229	135	364
Councillor Khunoou	-	4,347	4,347
Councillor Pheto	21	492	513
Councillor Maratele J	484	7,294	7,778
Councillor Motlhaga	485	2,641	3,126
	4,143	**61,952**	**66,095**

Figures in Rand	2011	2010

34. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor LP Molelekeng	1,599	6,052	7,651
Councillor LTD Ntsamai	(182)	270	88
Councillor M Nondzaba	45	3,118	3,163
Councillor J Mookaneng	(1,279)	3,101	1,822
Councillor MP Moloi	126	12,153	12,279
Councillor LMJ Tshite	571	1,758	2,329
Councillor GE Ramorwesi	155	4,370	4,525
Councillor AB Setou	243	93	336
	1,278	**30,915**	**32,193**

35. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	88,530,690	99,990,361
Used to finance property, plant and equipment - at cost	(77,504,088)	(71,604,466)
	11,026,602	**28,385,895**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption/payment date. Long-term liabilities are annuity loans that are being repaid monthly, quarterly and half yearly.

36. Disclosures in terms of Sec.125 of the Municipal Finance Management Act, 2003

Subsection 125(1)(a): List of all municipal entities under sole or shared control of the municipality during the financial year and as at the last day of the financial year;

1. The Moses Kotane Development Agency (Pty) (Ltd) was established on 8 February 2006.
The Council holds all the shares in the company.
The agency was disolved in July 2010, the staff transferred to the municipality while the CEO was charged for misconduct..

Subsection 125(1)(c): Particulars of any contingent liabilities of the municipality as at the end of the financial year;

Claims against the Municipality

1. **NORTH WEST DEVELOPMENT CORPORATION (NWDC): BODIRELO INFRASTRUCTURE**
Claim by NWDC for R 18 000 000 in respect of infrastructure installed by it in Bodirelo Industrial Township during 1990-1991. NWDC also questions municipality's right to hold it liable for the payment of assessment rates.
This matter could not be resolved and was submitted to Provincial Treasury in terms of section 44 of the MFMA.
From a legal point of view this claim have prescribed in law.

2. MTHUNZIMUHLE DEVELOPERS:
The appointed Administrator in terms of section 139(1)(b) of the Constitution cacelled all appointments of contractors and initiated the procurement process for new contractors. Mthunzimuhle Developers was one of these cancellations. The municipality received one letter only from the attorneys of Mthunzimuhle Developers claiming R6,647,007.65. The letter was dated 8 February 2011 and action was to be instituted 30 days there after, i.e. somewhere in the middle of March 2011. To date the municipality has not received any further correspondence in this matter.

3. FENCECOR CONSTRUCTION:
The Fencecor Construction case flows from certain disputes in the construction of the new Mogwase waste disposal site. Fencecor claims that they have work in excess of the amount stipulated in their cession agreement, R2,842,110.90. The Administrator instructed that the case be defended since Fencecor cannot claim more that they are entitled to. The case is ongoing.

4. **FLO-TEK PIPES:**
The Flo-Tek Pipes case flows from water projects. Flo-Tek Pipes claims that they were short-paid for supplies delivered, R74,465.31. The municipality however showed that all invoices received from Flo-Tek had been paid. The municipality is defending the matter.

Claims on behalf of the Municipality

1. **CLAIM FOR PAYMENT OF ASSESSMENT RATES: MUNICIPALITY / NWDC**
The municipality has held NWDC liable for payment of assessment rates in respect of properties "owned" in terms of legislation applicable to municipal rating. The total amount due by NWDC at 30 June 2011, excluding interest, is R 13,746,298.03 .
It was suggested that at the very least NWDC should pay the outstanding rates in respect of all properties other than those situated in Bodirelo, pending resolution of the dispute between the municipality and NWDC. This proposal was formally put to the managing director of NWDC and advising that the matter would have to be reported to National Treasury and request the latter to mediate between the parties in terms of sec. 44 of the MFMA, 2003, or alternatively proceed with legal action against NWDC for the recovery of the amount due. This matter has now been referred to Provincial Treasury in terms of Section 44 of the MFMA.
NWDC is in the process to liaise with the MEC for Economic Affairs to resolve on this matter.

2. **NATIONAL- AND PROVINCIAL DEPARTMENTS**
The outstanding property rates and service charges for all departments amounts to R 15,174,652.78 on 30 June 2010. Substantial payments were received during the financial year and the outstanding amount on 30 June 2011 amounted to R 9,193,935.
The matter has been referred to Provincial Treasury in terms of Section 44 of the MFMA.

Subsection 125 (2) (d) (i) and (ii): Material losses and material irregular or fruitless expenditure and fraudulent transactions.

1. None

Moses Kotane Local Municipality
Appendix A
June 2011

Schedule of external loans as at 30 June 2011

	Loan Number	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Balance at 30 June 2011
			Rand	Rand	Rand	Rand
Development Bank of South Africa						
Annuity Loan	100840	29/06/2024	7,701,108	-	241,950	7,459,158
Annuity Loan	100840	29/06/2024	6,266,510	-	197,959	6,068,551
Annuity Loan	101899	30/06/2021	4,018,456	-	213,874	3,804,582
Annuity Loan	102482	31/12/2023	25,313,997	-	1,037,206	24,276,791
Annuity Loan			10,000,000	-	4,834,493	5,165,507
			53,300,071	**-**	**6,525,482**	**46,774,589**
Annuity loans						
ABSA	30-0789-0423	30/09/2011	1,473,044	-	1,158,497	314,547
ABSA	70057781	01/07/2011	70,981	-	65,264	5,717
ABSA	70057790	01/07/2011	23,779	-	21,864	1,915
ABSA	70057803	01/07/2011	4,948	-	4,550	398
ABSA	73443909	01/02/2012	191,424	-	111,268	80,156
ABSA	73443933	01/02/2012	191,424	-	111,268	80,156
ABSA	8065717250		1,466,352	-	35,896	1,430,456
ABSA	78652344	07/04/2014	171,637	-	37,785	133,852
ABSA	78652280	07/04/2014	171,637	-	37,785	133,852
ABSA	78652018	28/04/2014	268,209	-	59,045	209,164
ABSA	78652832	28/04/2014	210,021	-	46,235	163,786
ABSA	78653146	23/04/2014	210,021	-	46,235	163,786
ABSA	78653030	23/04/2014	210,021	-	46,235	163,786
ABSA	78652905	23/04/2014	210,021	-	46,235	163,786
ABSA	78652999	23/04/2014	210,021	-	46,235	163,786
ABSA	78652069	23/04/2014	210,021	-	46,235	163,786
ABSA	78651917	28/02/2014	176,276	-	38,806	137,470
ABSA	78671136	23/04/2014	150,849	-	33,209	117,640
ABSA	78671314	12/07/2013	1,322,797	-	293,522	1,029,275
ABSA	78652298	07/04/2014	438,432	-	97,286	341,146
ABSA	78652409	07/04/2014	366,544	-	176,213	190,331
ABSA	78652263	07/04/2014	420,585	-	92,590	327,995
ABSA	78653588	25/03/2014	106,199	-	23,379	82,820
ABSA	78653006	25/03/2014	107,373	-	23,638	83,735
ABSA	78652891	25/03/2014	107,406	-	23,645	83,761
ABSA	78652417	07/04/2014	171,590	-	37,775	133,815
ABSA	78655114	25/03/2014	107,406	-	23,645	83,761
ABSA	78655262	25/03/2014	107,406	-	23,645	83,761
ABSA	78652611	25/03/2014	107,406	-	23,645	83,761
ABSA	78654916	25/03/2014	107,406	-	23,645	83,761
ABSA	78653952	25/03/2014	121,875	-	26,830	95,045
ABSA	78653430	25/03/2014	107,406	-	23,645	83,761
ABSA	78652174	27/05/2014	244,492	-	54,483	190,009
ABSA	78652743	26/03/2014	419,440	-	92,338	327,102
ABSA	78651992	04/06/2014	87,224	-	19,202	68,022
ABSA	78652042	27/05/2014	244,492	-	54,483	190,009
ABSA	78652522	27/05/2014	224,160	-	49,348	174,812
INCA	MOSE-00-0001	30/12/2014	11,298,473	-	931,556	10,366,917
INCA	MOSE-00-0003	31/12/2024	12,387,569	-	564,390	11,823,179
INCA	9078	31/12/2027	9,522,324	-	186,149	9,336,175
INCA	18721	28/03/2024	2,941,604	-	76,500	2,865,104
			46,690,295	**-**	**4,934,199**	**41,756,096**
Total external loans						
Development Bank of South Africa			53,300,071	-	6,525,482	46,774,589
Annuity loans			46,690,295	-	4,934,199	41,756,096
			99,990,366	**-**	**11,459,681**	**88,530,685**

Moses Kotane Local Municipality

Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance	Additions	Disposals	Transfers	Change in Estimate	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Other changes, movements	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land	20,172,924	-	-	-	(5,704,009)	-	**14,468,915**	-	-	-	-	-	**-**	14,468,915
Buildings	41,563,510	2,659,588	-	-	-	-	**44,223,098**	(6,116,770)	-	-	(1,392,720)	(2,655,439)	**(10,164,929)**	34,058,169
	61,736,434	**2,659,588**	**-**	**-**	**(5,704,009)**	**-**	**58,692,013**	**(6,116,770)**	**-**	**-**	**(1,392,720)**	**(2,655,439)**	**(10,164,929)**	**48,527,084**
Infrastructure														
Roads	189,747,190	4,145,211	-	-	-	**193,307,104**	**387,199,505**	(48,627,114)	-	-	(44,140,665)	(92,672,114)	**(185,439,893)**	201,759,612
Storm water	4,159,428	690,317	-	-	-	**-**	**4,849,745**	(183,756)	-	-	-	-	**(183,756)**	4,665,989
Bridges	5,283,023	-	-	-	-	**-**	**5,283,023**	(659,976)	-	-	-	-	**(659,976)**	4,623,047
Sewerage mains & Purification plant	1,191,440	2,979,092	-	-	-	**45,105,798**	**49,276,330**	(202,936)	-	-	(2,070,796)	(18,667,242)	**(20,940,974)**	28,335,356
Street lighting	43,033,146	1,103,555	-	-	-	**255,783**	**44,392,484**	(4,571,855)	-	-	(1,818,131)	(46,364)	**(6,436,350)**	37,956,134
Water reticulation	259,256,131	15,789,020	-	-	-	**45,315,846**	**320,360,997**	(119,506,261)	-	-	(17,243,136)	64,857,893	**(71,891,504)**	248,469,493
Water boreholes	19,451,875	709,603	-	-	-	**-**	**20,161,478**	(9,191,294)	-	-	-	-	**(9,191,294)**	10,970,184
Water pump stations	5,024,071	-	-	-	-	**-**	**5,024,071**	(4,293,048)	-	-	-	-	**(4,293,048)**	731,023
Reservoirs - Water	56,308,980	-	-	-	-	**-**	**56,308,980**	(47,285,788)	-	-	-	-	**(47,285,788)**	9,023,192
Water treatment works	22,470,096	-	-	-	-	**-**	**22,470,096**	(19,197,688)	-	-	-	-	**(19,197,688)**	3,272,408
Water bulk pipelines	180,940,000	-	-	-	-	**-**	**180,940,000**	(149,765,994)	-	-	-	-	**(149,765,994)**	31,174,006
Refuse disposal site	7,912,666	5,727,034	-	-	-	-	**13,639,700**	-	-	-	(167,564)	-	**(167,564)**	13,472,136
	794,778,046	**31,143,832**	**-**	**-**	**-**	**283,984,531**	**1,109,906,409**	**(403,485,710)**	**-**	**-**	**(65,440,292)**	**(46,527,827)**	**(515,453,829)**	**594,452,580**
Community Assets														
Parks & gardens	5,725,436	-	-	-	-	**175,182**	**5,900,618**	(244,970)	-	-	(287,289)	(1,346,311)	**(1,878,570)**	4,022,048
Civic buildings	25,074,661	2,422,653	-	-	-	**-**	**27,497,314**	(4,440,101)	-	-	(240,354)	3,604,279	**(1,076,176)**	26,421,138
Libraries	3,428,468	506,196	-	-	-	**(38,315)**	**3,896,349**	(648,082)	-	-	(127,163)	(266,176)	**(1,041,421)**	2,854,928
Recreational grounds	12,531,641	3,042,305	-	-	-	**469,018**	**16,042,964**	(1,041,585)	-	-	(443,603)	(1,311,659)	**(2,796,847)**	13,246,117
Cemeteries	4,052,156	-	-	-	-	**-**	**4,052,156**	(738,547)	-	-	(807,961)	(354,240)	**(1,900,748)**	2,151,408
	50,812,362	**5,971,154**	**-**	**-**	**-**	**605,885**	**57,389,401**	**(7,113,285)**	**-**	**-**	**(1,906,370)**	**325,893**	**(8,693,762)**	**48,695,639**

Moses Kotane Local Municipality

Appendix B

June 2011

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance	Additions	Disposals	Transfers	Change in Estimate	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Other changes, movements	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Sculpture	14,000	-	-	-	-	-	**14,000**	-	-	-	-	-	-	14,000
	14,000	**-**	**-**	**-**	**-**	**-**	**14,000**	**-**	**-**	**-**	**-**	**-**	**-**	**14,000**
Other assets														
Motor vehicles	26,960,285	-	-	-	-	-	**26,960,285**	(14,275,398)	-	-	(4,592,397)	-	**(18,867,795)**	8,092,490
Plant & equipment	6,785,838	83,519	-	-	-	-	**6,869,357**	(4,236,045)	-	-	(689,991)	-	**(4,926,036)**	1,943,321
Furniture & Fittings	4,218,142	435,758	-	-	-	-	**4,653,900**	(3,619,259)	-	-	(510,517)	-	**(4,129,776)**	524,124
Office Equipment	5,936,225	718,537	-	-	-	-	**6,654,762**	(4,320,743)	-	-	(775,595)	-	**(5,096,338)**	1,558,424
	43,900,490	**1,237,814**	**-**	**-**	**-**	**-**	**45,138,304**	**(26,451,445)**	**-**	**-**	**(6,568,500)**	**-**	**(33,019,945)**	**12,118,359**
Total property plant and equipment														
Land and buildings	61,736,434	2,659,588	-	-	(5,704,009)	-	**58,692,013**	(6,116,770)	-	-	(1,392,720)	(2,655,439)	**(10,164,929)**	48,527,084
Infrastructure	794,778,046	31,143,832	-	-	-	**283,984,531**	**1,109,906,409**	(403,485,710)	-	-	(65,440,292)	(46,527,827)	**(515,453,829)**	594,452,580
Community Assets	50,812,362	5,971,154	-	-	-	**605,885**	**57,389,401**	(7,113,285)	-	-	(1,906,370)	325,893	**(8,693,762)**	48,695,639
Heritage assets	14,000	-	-	-	-	-	**14,000**	-	-	-	-	-	**-**	14,000
Other assets	43,900,490	1,237,814	-	-	-	-	**45,138,304**	(26,451,445)	-	-	(6,568,500)	-	**(33,019,945)**	12,118,359
	951,241,332	**41,012,388**	**-**	**-**	**(5,704,009)**	**284,590,416**	**1,271,140,127**	**(443,167,210)**	**-**	**-**	**(75,307,882)**	**(48,857,373)**	**(567,332,465)**	**703,807,662**
Total														
Land and buildings	61,736,434	2,659,588	-	-	(5,704,009)	-	**58,692,013**	(6,116,770)	-	-	(1,392,720)	(2,655,439)	**(10,164,929)**	48,527,084
Infrastructure	794,778,046	31,143,832	-	-	-	**283,984,531**	**1,109,906,409**	(403,485,710)	-	-	(65,440,292)	(46,527,827)	**(515,453,829)**	594,452,580
Community Assets	50,812,362	5,971,154	-	-	-	**605,885**	**57,389,401**	(7,113,285)	-	-	(1,906,370)	325,893	**(8,693,762)**	48,695,639
Heritage assets	14,000	-	-	-	-	-	**14,000**	-	-	-	-	-	**-**	14,000
Other assets	43,900,490	1,237,814	-	-	-	-	**45,138,304**	(26,451,445)	-	-	(6,568,500)	-	**(33,019,945)**	12,118,359
	951,241,332	**41,012,388**	**-**	**-**	**(5,704,009)**	**284,590,416**	**1,271,140,127**	**(443,167,210)**	**-**	**-**	**(75,307,882)**	**(48,857,373)**	**(567,332,465)**	**703,807,662**

Moses Kotane Local Municipality
Appendix C
June 2011

Segmental analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Change in Estimate Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive and Council	8,513,474	100,875	-	-	-	**-**	**8,614,349**	(3,655,791)	-	-	(1,048,260)	-	**(4,704,051)**	3,910,298
Budget and Treasury Office	1,914,765	-	-	-	-	**-**	**1,914,765**	(1,020,617)	-	-	(242,073)	-	**(1,262,690)**	652,075
Corporate Services Property Services	90,325,723	5,093,242	-	-	(5,704,009)	**-**	**89,714,956**	(4,619,755)	-	-	(1,885,871)	948,840	**(5,556,786)**	84,158,170
Corporate Services Other Admin	2,046,170	806,531	-	-	-	**-**	**2,852,701**	(193,803)	-	-	(600,204)	-	**(794,007)**	2,058,694
Planning and Development	2,242,119	-	-	-	-	**-**	**2,242,119**	(2,170,142)	-	-	(222,951)	-	**(2,393,093)**	(150,974)
Libraries and Archives	3,513,513	735,315	-	-	-	**(38,315)**	**4,210,513**	(269,101)	-	-	(163,273)	(266,176)	**(698,550)**	3,511,963
Cemeteries and Crematoriums	4,603,586	-	-	-	-	**-**	**4,603,586**	(756,583)	-	-	(863,104)	(354,240)	**(1,973,927)**	2,629,659
Public Safety / Streetlighting	613,498	1,103,555	-	-	-	**255,783**	**1,972,836**	(642)	-	-	(1,940,659)	(46,364)	**(1,987,665)**	(14,829)
Sport and Recreation	19,746,361	3,132,594	-	-	-	**644,200**	**23,523,155**	(2,259,257)	-	-	(882,428)	(2,657,970)	**(5,799,655)**	17,723,500
Waste Water Management/Sewerage	1,191,440	2,979,092	-	-	-	**45,315,846**	**49,486,378**	(202,544)	-	-	(2,070,796)	(18,667,242)	**(20,940,582)**	28,545,796
Waste Management / Solid Waste	7,912,666	5,727,034	-	-	-	**-**	**13,639,700**	-	-	-	(167,564)	-	**(167,564)**	13,472,136
Road Transport / Roads	261,984,233	4,835,528	-	-	-	**193,307,104**	**460,126,865**	(59,908,491)	-	-	(47,560,966)	(92,672,114)	**(200,141,571)**	259,985,294
Water / Water Distribution	546,633,783	16,498,622	-	-	-	**45,105,798**	**608,238,203**	(368,110,485)	-	-	(17,659,734)	64,857,893	**(320,912,326)**	287,325,877
	951,241,331	**41,012,388**	**-**	**-**	**(5,704,009)**	**284,590,416**	**1,271,140,126**	**(443,167,211)**	**-**	**-**	**(75,307,883)**	**(48,857,373)**	**(567,332,467)**	**703,807,659**
Total														
Municipality	951,241,331	41,012,388	-	-	(5,704,009)	**284,590,416**	**1,271,140,126**	(443,167,211)	-	-	(75,307,883)	(48,857,373)	**(567,332,467)**	703,807,659
	951,241,331	**41,012,388**	**-**	**-**	**(5,704,009)**	**284,590,416**	**1,271,140,126**	**(443,167,211)**	**-**	**-**	**(75,307,883)**	**(48,857,373)**	**(567,332,467)**	**703,807,659**

Segmental Statement of Financial Performance for the year ended 30 June 2011

Prior Year				Current Year		
2010 Actual Income Rand	2010 Actual Expenditure Rand	2010 Surplus /(Deficit) Rand		2011 Actual Income Rand	2011 Actual Expenditure Rand	2011 Surplus /(Deficit) Rand
			Municipality			
-	51,188,213	(51,188,213)	Executive and Council	65,449	56,151,210	(56,085,761)
242,422,267	2,422,688	239,999,579	Municipal Manager	-	2,906,072	(2,906,072)
-	17,874,298	(17,874,298)	Budget and Treasury Office	203,470,839	25,536,773	177,934,066
3,060	18,180,519	(18,177,459)	Corporate Services Property Services	-	10,505,771	(10,505,771)
-	26,336,988	(26,336,988)	Corporate Services Other Admin	215,439	29,735,333	(29,519,894)
286,608	10,843,989	(10,557,381)	Planning and Development	81,416	11,568,298	(11,486,882)
-	884,009	(884,009)	Libraries and Archives	407,535	890,412	(482,877)
9,055	620,657	(611,602)	Cemeteries and Crematoriums	7,226	1,260,238	(1,253,012)
-	1,764,324	(1,764,324)	Community Services Other	-	2,030,373	(2,030,373)
-	5,544,898	(5,544,898)	Public Safety / Streetlighting	-	6,180,519	(6,180,519)
2,731,936	1,933,790	798,146	Public Safety / Other	-	1,932,633	(1,932,633)
-	10,023,446	(10,023,446)	Sport and Recreation	-	10,059,013	(10,059,013)
389,250	3,125,282	(2,736,032)	Waste Water Management / Sewerage	6,349,000	5,208,458	1,140,542
1,002,357	17,412,122	(16,409,765)	Waste Management / Solid Waste	17,347,484	15,921,110	1,426,374
1,401,385	33,198,199	(31,796,814)	Road Transport / Roads	2,228,519	59,011,325	(56,782,806)
48,439,628	88,585,591	(40,145,963)	Water / Water Distribution	74,899,478	93,901,844	(19,002,366)
-	(12,136,845)	12,136,845	Less: Inter-departmental Charges	-	(13,107,788)	13,107,788
296,685,546	**277,802,168**	**18,883,378**		**305,072,385**	**319,691,594**	**(14,619,209)**
296,685,546	277,802,168	18,883,378	Municipality	305,072,385	319,691,594	(14,619,209)
296,685,546	**277,802,168**	**18,883,378**	**Total**	**305,072,385**	**319,691,594**	**(14,619,209)**

Moses Kotane Local Municipality
Appendix E(1)
June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2011

	Current year 2011 Act. Bal. Rand	Current year 2011 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	
Property rates	28,478,669	30,740,000	(2,261,331)	(7.4)	
Service charges	46,895,482	45,826,416	1,069,066	2.3	
Sales of housing	162,809	-	162,809	-	
Rental of facilities and equipment	-	-	-	-	
Traffic fines	-	500,000	(500,000)	(100.0)	New service provider was appointed.
Government grants & subsidies	217,421,387	188,662,526	28,758,861	15.2	Expenditure on MIG allocated to Revenue.
Recoupment	2,000	-	2,000	-	
Other income	1,635,218	2,515,330	(880,112)	(35.0)	Water connection fees more than expected.
Interest received - investment	3,869,005	3,000,000	869,005	29.0	More funds were invested than anticipated for.
Interest received - outstanding debtors	6,607,814	1,107,405	5,500,409	496.7	First time implemented, could not budget correctly.
	305,072,384	272,351,677	32,720,707	12.0	
Expenses					
Personnel	(81,160,150)	(86,071,480)	4,911,330	(5.7)	
Remuneration of councillors	(13,339,284)	(14,644,145)	1,304,861	(8.9)	
Depreciation	(73,827,646)	(72,980,715)	(846,931)	1.2	
Finance costs	(10,207,201)	(11,181,374)	974,173	(8.7)	
Debt impairment	(20,632,033)	(15,313,284)	(5,318,749)	34.7	
Contribution to funds	(7,951,225)	(921,800)	(7,029,425)	762.6	Less leave was taken and required provision for.
Repairs and maintenance	(12,283,851)	(22,083,890)	9,800,039	(44.4)	Less repairs and maintenance on municipal buildings were done than anticipated.
Bulk purchases	(31,733,454)	(30,000,000)	(1,733,454)	5.8	
Contracted Services	(12,998,447)	(13,400,000)	401,553	(3.0)	
Contributions to capital expenditure	(844,873)	(2,443,500)	1,598,627	(65.4)	Equipment for councillors and various other equipment were not required.
General Expenses	(54,713,429)	(73,942,658)	19,229,229	(26.0)	Less day to day expenses were necessary.
	(319,691,593)	(342,982,846)	23,291,253	(6.8)	
Net surplus/ (deficit) for the year					
	(14,619,209)	(70,631,169)	56,011,960	(79.3)	

Moses Kotane Local Municipality
Appendix E(2)
June 2011

Budget Analysis of Capital Expenditure as at 30 June 2011

	Additions	Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Executive and Council	100,875	620,000	519,125	**84**	The vehicle for the mayor and computer equipment were not bought
Budget and Treasury Office	-	50,000	50,000	**100**	Shelter for meter readers were not erected
Corporate Services Property Services	5,093,242	23,350,000	18,256,758	**78**	The installationof an IT network in the Civic Building did not realise
Corporate Services Other Admin	806,531	1,200,000	393,469	**33**	
Planning and Development	-	62,000	62,000	**100**	Purchase of office equipment did not realise
Libraries and Archives	735,315	4,190,000	3,454,685	**82**	The erecting of a library in Mogwase only started late
Public Safety / Streetlighting	1,103,555	504,121	(599,434)	**(119)**	Under provided for street lights
Sport and Recreation	3,132,594	9,821,200	6,688,606	**68**	Late implementation of projects
Waste Water Management / Sewerage	2,979,092	8,330,000	5,350,908	**64**	Late implementation of projects
Waste Management / Solid Waste	5,727,034	7,645,000	1,917,966	**25**	Late implementation of projects
Road Transport / Roads	4,835,528	19,215,000	14,379,472	**75**	Projects will be completed during the 2011/2012 financial year
Water / Water Distribution	16,498,622	60,191,264	43,692,642	**73**	Late implementation of projects as well as labour issues in the Project Management Unit
	41,012,388	**135,178,585**	**94,166,197**	**70**	
Total					
Municipality	41,012,388	135,178,585	94,166,197	**70**	
	41,012,388	**135,178,585**	**94,166,197**	**70**	

Moses Kotane Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun		Yes/ No	
Equitable Share	DPLG	74,672,533	59,737,000	44,804,000	-	44,803,383	44,803,383	44,803,383	44,803,384	-	-	-	-		Yes	
Municipal Systems Improvement	DPLG	1,200,000	-	-	-	200,000	465,200	534,800	-	-	-	-	-		Yes	
Finance Management	DPLG	1,000,000	-	-	-	122,040	122,040	234,868	521,052	-	-	-	-		Yes	
Municipal Infrastructure	DPLG	35,000,000	20,000,000	29,855,000	-	5,048,623	7,238,033	2,801,131	14,124,281	-	-	-	-		Yes	
DWAF Operating and Maintenance	DWAF	908,000	908,000	907,000	-	908,000	908,000	907,000	-	-	-	-	-		Yes	
Mogwase Libraries	DPLG	-	400,000	-	-	-	-	-	400,000	-	-	-	-		Yes	
Capital Sanitation	DPLG	-	3,000,000	-	-	-	-	-	-	-	-	-	-		Yes	
		112,780,533	84,045,000	75,566,000	-	51,082,046	53,536,656	49,281,182	59,848,717	-	-	-	-			